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2015 – A YEAR IN REVIEW FOR HOTEL FIRMS

2015 has been yet another good year for hotels in the United States. According to the latest Smith Travel Research (STR) report (August 2015), the year-to-date occupancy (August) for these lodging firms increased 1.8% to 67.2%, relative to 66% (same period) in 2014. The year-to-date average daily rate (ADR, end August) grew 4.8% to 120.26 USD relative to 114.77 (same period) in 2014, and 110.35 (annual) in 2013, 106.10 USD in 2012, 101.70 USD in 2011, and 98.06 USD in 2010. The August year-to-date revenue per available room (RevPAR) of these firms increased by 6.7% to 80.79 USD relative to 75.74 USD (same period) in 2014. According to the latest IBISWorld Industry Report for Hotels & Motels in the United States, the industry has shown strong growth during the recent five-year period. The industry revenue for U.S. hotels and motels is expected to increase to 162.0 billion USD in 2015 (yielding 28.7 billion USD

profits) at an average annual rate of 3.2 %, relative to 156.97 billion in 2014, 150.72 billion in 2013, 145.36 billion in 2012, 140.44 billion in 2011, and 135.01 billion in 2010. [Figure 1](#) summarizes the rising trend of revenues in this industry over the last five years, particularly after its recessionary drop during 2008 and 2009.

Stockholders of lodging firms have, however, continued to be concerned after the recent post-August bearish trends in the equity markets. According to experts, the recent 15% drop in average stock prices in August, following the poor economic speculations in China, continues to galvanize the growth in the number of bears in U.S. equity markets. The overall one-year stock returns for the lodging sector until September 2015 dropped to a negative 10.18%, even lower than the negative 4.74 returns for the S&P 500. [Table 1](#) summarizes the 2015 stock returns of key lodging firms.

The weighted average returns for *JHFM*'s Index of key lodging firms (0.74%) were a

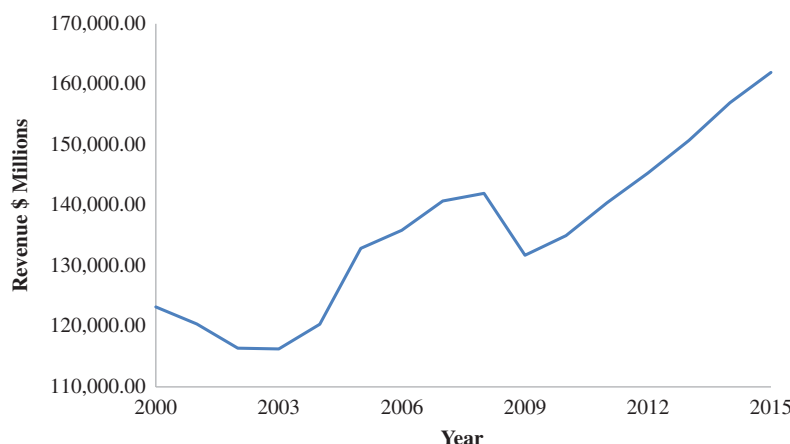


FIGURE 1. U.S. Hotel and Motel Industry Revenues.

TABLE 1. 2015 Total Stock Returns of Key Lodging Firms

Stock Name	Ticker	Market Cap (Million \$)	1-Year Stock Return %
Choice Hotels International, Inc.	CHH	2817	4.83
Home Inns & Hotels Management, Inc.	HMIN	1417	-16.14
Hyatt Hotels Corporation	H	7423	-10.95
Intercontinental Hotels Group PLC	IHG	9775	9.45
Marriott International, Inc.	MAR	18798	10.23
Morgans Hotel Group Company	MHGC	180	-29.36
Host Hotels and Resorts Inc.	HST	13317	-24.8
Red Lion Hotels Corporation	RLH	169	55.11
Accor SA	ACRFF	11667	9.95
Starwood Hotels & Resorts Worldwide Inc.	HOT	13090	1.14
Wyndham Worldwide Corporation	WYN	9413	7.01
<i>Total</i>		88068	
<i>Overall Market—S&P 500</i>	<i>SPX</i>		-4.74
<i>JHFM Key Lodging Firms Weighted Average</i>			0.74
<i>Overall Lodging Industry</i>			-10.18

Source: Morningstar Investment Research Center Data, September 29, 2015.

matter of concern, even though these returns surpassed the overall market (S&P 500) returns thus far. The increased turbulence in the U.S. equity markets in the fourth quarter is clearly driven by increasing concerns about China's economy and the timing of the first possible increase in U.S. interest rates. On the positive side, some experts think that this speculative frenzy should stabilize sometime early next

year. Regardless of the volatility in the equity markets, the continued growth in revenues, ADR, and RevPar within the U.S. lodging firms during 2015 is certainly an encouraging trend and should help foster positivity and optimism among hotel investors.

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